

SCHEDULE Q
(Form N-66)
(REV. 2002)**Quarterly Notice to Residual Interest Holder of
REMIC Taxable Income or Net Loss Allocation**

For calendar quarter ended _____, 20____

(Complete for each residual interest holder—See Instructions on back of Copy C.)

Copy A — File
with Form N-66

Residual interest holder's identifying number	REMIC's identifying number
Residual interest holder's name, address, and ZIP code	REMIC's name, address, and Zip code

- A** What type of entity is the residual interest holder? ➤
- B** Enter residual interest holder's percentage of ownership of all residual interests:
- (i) Before change:%
- (ii) End of quarter:%
- C** Enter the percentage of the REMIC's assets for the quarter represented by each of the following:
- (i) Real estate assets under IRC section 856(c)(5)(B) ➤%
- (ii) Assets described in IRC section 7701(a)(19)(C) (relating to the definition of a domestic building and loan association) ➤%
- D** Department of Taxation District Office where REMIC files return ➤
- E** Check applicable boxes: (1) ☐ Final Schedule Q (2) ☐ Amended Schedule Q
- F** Reconciliation of residual interest holder's capital account:

(a) Capital account at beginning of quarter	(b) Capital contributed during quarter	(c) Taxable income (net loss) from line 1b below	(d) Nontaxable income	(e) Unallowable deductions	(f) Withdrawals and distributions	(g) Capital account at end of quarter (combine cols. (a) through (f))
				()	()	

Caution: Refer to Instructions for Residual Interest Holder on back of Copy B before entering information from this schedule on your tax return.

1 a Taxable income (net loss) of the REMIC for the calendar quarter			
b Your share of the taxable income (net loss) for the calendar quarter			
2 a Sum of the daily accruals under IRC section 860E for all residual interests for the calendar quarter			
b Sum of the daily accruals under IRC section 860E with respect to your interest for the calendar quarter			
c Excess inclusion for the calendar quarter with respect to your residual interest (Subtract line 2b from line 1b, but do not enter less than zero)			
3 Residual interest holders who are individuals or other pass-through interest holders. (See Instructions.) (Not required to be completed for other entities):			
a IRC section 212 expenses of the REMIC for the calendar quarter			
b Your share of IRC section 212 expenses for the calendar quarter. (If you are an individual, this amount must be included in gross income in addition to the amount shown on line 1b. See Instruction for treatment of this amount as a miscellaneous itemized deduction if you are an individual.)			

Schedule Q (Form N-66)

SCHEDULE Q
(Form N-66)
(REV. 2002)

**Quarterly Notice to Residual Interest Holder of
REMIC Taxable Income or Net Loss Allocation**

For calendar quarter ended _____, 20____

(Complete for each residual interest holder—See Instructions on back of Copy C.)

Copy B — For
Residual Holder

Residual interest holder's identifying number	REMIC's identifying number
Residual interest holder's name, address, and ZIP code	REMIC's name, address, and Zip code

- A** What type of entity is the residual interest holder? ➤
- B** Enter residual interest holder's percentage of ownership of all residual interests:
- (i) Before change:%
- (ii) End of quarter:%
- C** Enter the percentage of the REMIC's assets for the quarter represented by each of the following:
- (i) Real estate assets under IRC section 856(c)(5)(B) ➤%
- (ii) Assets described in IRC section 7701(a)(19)(C) (relating to the definition of a domestic building and loan association) ➤%
- D** Department of Taxation District Office where REMIC files return ➤
- E** Check applicable boxes: (1) ☐ Final Schedule Q (2) ☐ Amended Schedule Q
- F** Reconciliation of residual interest holder's capital account:

(a) Capital account at beginning of quarter	(b) Capital contributed during quarter	(c) Taxable income (net loss) from line 1b below	(d) Nontaxable income	(e) Unallowable deductions	(f) Withdrawals and distributions	(g) Capital account at end of quarter (combine cols. (a) through (f))
				()	()	

Caution: Refer to Instructions for Residual Interest Holder on back of Copy B before entering information from this schedule on your tax return.

1 a Taxable income (net loss) of the REMIC for the calendar quarter			
b Your share of the taxable income (net loss) for the calendar quarter			
2 a Sum of the daily accruals under IRC section 860E for all residual interests for the calendar quarter			
b Sum of the daily accruals under IRC section 860E with respect to your interest for the calendar quarter			
c Excess inclusion for the calendar quarter with respect to your residual interest (Subtract line 2b from line 1b, but do not enter less than zero)			
3 Residual interest holders who are individuals or other pass-through interest holders. (See Instructions.) (Not required to be completed for other entities):			
a IRC section 212 expenses of the REMIC for the calendar quarter			
b Your share of IRC section 212 expenses for the calendar quarter. (If you are an individual, this amount must be included in gross income in addition to the amount shown on line 1b. See Instruction for treatment of this amount as a miscellaneous itemized deduction if you are an individual.)			

Schedule Q (Form N-66)

Instructions for Residual Interest Holder

(Section references are to the Internal Revenue Code unless otherwise noted.)

Purpose

The real estate mortgage investment conduit (REMIC) uses Schedule Q to notify you of your share of the REMIC's quarterly taxable income (or net loss), the excess inclusion with respect to your interest, and your share of the REMIC's section 212 expenses for the quarter.

Please keep your copy of this schedule for your records. Do not file it with your tax return.

General Instructions

These instructions will help you report the items shown on Schedule Q on your tax return.

Tax treatment of REMIC items.—Although the REMIC is not subject to income tax, you are liable for tax on your share of the REMIC's taxable income, whether or not distributed, and you must include your share on your tax return. Generally, you must report REMIC items shown on your Schedule Q (and any attached schedules) or similar statement consistent with the way the REMIC treated the items on the return it filed. This rule does not apply if your REMIC falls within the "small REMIC" exception and does not elect to be subject to the consolidated entity-level audit procedures enacted by TEFRA.

If your treatment on your original or amended return is (or may be) inconsistent with the REMIC's treatment, or if the REMIC was required to file but has not filed a return, you must file federal Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), with your original or amended return to identify and explain the inconsistency (or to note that a REMIC return has not been filed). See sections 860F(e) and 6222 for the inconsistent treatment rules.

Errors.—If you believe the REMIC has made an error on your Schedule Q, notify the REMIC and ask for a corrected Schedule Q. Do not change any items on your copy. Be sure that the REMIC sends a copy of the corrected Schedule Q to the Department of Taxation. If you are unable to reach agreement with the REMIC with regard to the inconsistency, you must file federal Form 8082 as explained in the previous paragraph.

Limitation on losses.—Generally, you may not claim your share of the quarterly net loss from a REMIC that is greater than the adjusted basis of your residual interest in the REMIC at the end of the calendar quarter (determined without regard to your share of the net loss of the REMIC for that quarter). Any loss disallowed because it exceeds your adjusted basis is treated as incurred by the REMIC in the following quarter, but only for the purpose of offsetting your share of REMIC taxable income for that quarter.

Items which increase your basis are:

- (a) Money and your adjusted basis in property contributed to the REMIC.
- (b) Your share of the REMIC's taxable income.
- (c) Any income reported under the provisions of section 860F(b)(1)(C)(ii).

Items which decrease your basis are:

- (a) Money and the fair market value of property distributed to you.
- (b) Your share of the REMIC's losses.
- (c) Any deduction claimed under the provisions of section 860F(b)(1)(D)(ii).

Passive activity limitations under section 469.—Amounts includible in income (or deductible as a loss) by a residual interest holder are treated as portfolio income (or loss). Such income (or loss) is not taken into account in determining the loss from a passive activity under section 469.

Specific Instructions

Item C. REMIC assets—This information is provided only for the use of a residual interest holder such as a real estate investment trust or domestic building and loan association that needs to know the composition of the REMIC's underlying assets.

Line 1b. Your share of the taxable income (net loss) for the calendar quarter.—

Calendar year taxpayers and fiscal year taxpayers whose tax years end with a calendar quarter: You must report, as ordinary income or loss, the total of the amounts shown on line 1b of Schedule Q for each quarter included in your tax year, after applying any basis limitations, on your tax return.

Fiscal year taxpayers whose tax years do not end with a calendar quarter: You must figure the amount to report based on your tax year. For each calendar quarter that overlaps the beginning or end of your tax year, divide the amounts shown on line 1a by the number of days in that quarter. Multiply the result by your percentage of ownership of all residual interests for each day of your tax year included in that quarter. Total the daily amounts of taxable income (or net loss) for the overlapping quarters. Add these amounts to the amounts shown on line 1b for the full quarters included in your tax year. Report the resulting income or loss in the same manner as explained above for calendar year taxpayers.

Line 2c. Excess inclusion for the calendar quarter with respect to your residual interest.—

Calendar year taxpayers and fiscal year taxpayers whose tax years end with a calendar quarter: The total of the amounts shown on line 2c for all quarters included in your tax year is the smallest amount of taxable income you may report for that year. Except where necessary or appropriate to prevent avoidance of Federal income tax the preceding sentence does not apply to a financial institution entitled to relief under section 1616(c)(4) of the Small Business Job Protection Act of 1996. That provision generally allows certain financial institutions to continue using the rules of section 860E(a)(2) prior to its amendment by the Act. (Special rules apply to members of affiliated groups filing consolidated returns and to which section 1616(c)(4) of the Act applies. See sections 860E(a)(3) and (4) prior to their amendment by the Act.) The line 2c amount is treated as "unrelated business taxable income" if you are an exempt organization subject to the unrelated business tax under section 511. If you are an individual, and if you must report this amount as your taxable income, enter the amount shown on line 2c on the taxable income line of your return and write "Sch. Q" on the dotted line to the left of the entry space.

Fiscal year taxpayers whose tax years do not end with a calendar quarter: The same rules indicated above for calendar year taxpayers apply, except that you must figure the excess inclusion based on your tax year. For each calendar quarter that overlaps the beginning or end of your tax year, divide the amount shown on line 2a by the number of days in that quarter. Multiply the result by your percentage of ownership of all residual interests for each day of your tax year included in that quarter. Total the daily amounts for the overlapping quarter. Subtract this total from your share of the taxable income for the part of the quarter included in your tax year, as previously figured. Add the resulting amounts for the overlapping quarters to the amounts shown on line 2c for the full quarters included in your tax year and report it in the same manner as explained above for calendar year taxpayers.

Line 3b. Your share of section 212 expenses for the calendar quarter.

Calendar year taxpayers and fiscal year taxpayers whose tax years end with a calendar quarter: If you are an individual or other pass-through interest holder (as defined in IRC Temporary Regulations section 1.67-3T), you must report as ordinary income the total of the amounts shown on line 3b of Schedule Q for each quarter included in your tax year. This amount must be reported in addition to your share of taxable income (or net loss) determined above. Report this total on your tax return.

If you are an individual and itemize your deductions on your return, you may be able to deduct the total as a miscellaneous itemized deduction. It should be included with the other miscellaneous deductions that are subject to the 2% of adjusted gross income limit.

Fiscal year taxpayers whose tax years do not end with a calendar quarter: The same rules indicated above for calendar year taxpayers apply, except that you must figure your share of section 212 expenses based on your tax year. For each calendar quarter that overlaps the beginning or end of your tax year, divide the amount shown on line 3a by the number of days in that quarter. Multiply the result by your percentage of ownership of all residual interests for each day of your tax year included in that quarter. Total the daily amounts of section 212 expenses for the overlapping quarters. Add these amounts to the amounts shown on line 3b for the full quarters included in your tax year. Report the resulting amount in the same manner as explained above for calendar year taxpayers.

SCHEDULE Q
 (Form N-66)
 (REV. 2002)

**Quarterly Notice to Residual Interest Holder of
 REMIC Taxable Income or Net Loss Allocation**

For calendar quarter ended _____, 20____

(Complete for each residual interest holder—See Instructions on back of Copy C.)

 Copy C — For
 REMIC's Records

Residual interest holder's identifying number	REMIC's identifying number
Residual interest holder's name, address, and ZIP code	REMIC's name, address, and Zip code

- A** What type of entity is the residual interest holder? ➤
- B** Enter residual interest holder's percentage of ownership of all residual interests:
- (i) Before change:%
- (ii) End of quarter:%
- C** Enter the percentage of the REMIC's assets for the quarter represented by each of the following:
- (i) Real estate assets under IRC section 856(c)(5)(B) ➤%
- (ii) Assets described in IRC section 7701(a)(19)(C) (relating to the definition of a domestic building and loan association) ➤%
- D** Department of Taxation District Office where REMIC files return ➤
- E** Check applicable boxes: (1) ☐ Final Schedule Q (2) ☐ Amended Schedule Q
- F** Reconciliation of residual interest holder's capital account:

(a) Capital account at beginning of quarter	(b) Capital contributed during quarter	(c) Taxable income (net loss) from line 1b below	(d) Nontaxable income	(e) Unallowable deductions	(f) Withdrawals and distributions	(g) Capital account at end of quarter (combine cols. (a) through (f))
				()	()	

Caution: Refer to Instructions for Residual Interest Holder on back of Copy B before entering information from this schedule on your tax return.

1 a Taxable income (net loss) of the REMIC for the calendar quarter			
b Your share of the taxable income (net loss) for the calendar quarter			
2 a Sum of the daily accruals under IRC section 860E for all residual interests for the calendar quarter			
b Sum of the daily accruals under IRC section 860E with respect to your interest for the calendar quarter			
c Excess inclusion for the calendar quarter with respect to your residual interest (Subtract line 2b from line 1b, but do not enter less than zero)			
3 Residual interest holders who are individuals or other pass-through interest holders. (See Instructions.) (Not required to be completed for other entities):			
a IRC section 212 expenses of the REMIC for the calendar quarter			
b Your share of IRC section 212 expenses for the calendar quarter. (If you are an individual, this amount must be included in gross income in addition to the amount shown on line 1b. See Instruction for treatment of this amount as a miscellaneous itemized deduction if you are an individual.)			

Schedule Q (Form N-66)

Instructions for REMIC

(Section references are to the Internal Revenue Code unless otherwise noted.)

Purpose

Schedule Q (Form N-66) shows each residual interest holder's share of the REMIC's quarterly taxable income (or net loss), the excess inclusion with respect to the residual interest holder's interest, and the residual interest holder's share of the REMIC's section 212 expenses for the quarter.

Although the REMIC is not subject to income tax, the residual interest holders are liable for tax on their share of the REMIC's taxable income, whether or not distributed, and must include their share on their tax returns.

General Instructions

Complete Schedule Q (Form N-66) for each person who was a residual interest holder at any time during the calendar quarter. File Copy A with Form N-66. Give Copy B to the residual interest holder by the last day of the month following the month in which the calendar quarter ends. Keep Copy C with a copy of Form N-66 as part of the REMIC's records.

Specific Instructions

On each Schedule Q, enter the names, addresses, and identifying numbers of the residual interest holder and REMIC. For each residual interest holder that is an individual, you must enter the residual interest holder's social security number. If the individual is an alien who does not have, and is not eligible to obtain, a social security number, the alien must enter the individual taxpayer identification number (ITIN) issued to the alien by the Internal Revenue Service. For all other residual interest holders you must enter the residual interest holder's employer identification number. (However, if a residual interest holder is an individual retirement arrangement (IRA), enter the identifying number of the IRA trust. Do not enter the social security number of the individual for whom the IRA is maintained.)

Item A. What type of entity is this residual interest holder?—State on this line whether the residual interest holder is an individual, a corporation, a fiduciary, a partnership, an exempt organization, a nominee (custodian), or another REMIC. If the residual interest holder is a nominee, use the following codes to indicate in parentheses the type of entity the nominee represents.

I - Individual; C - Corporation; F - Fiduciary; P - Partnership; E - Exempt Organization; R - REMIC; or IRA - Individual Retirement Arrangement

Item B. Residual interest holder's percentage of ownership.—Enter in item B(ii) the percentage existing at the end of the calendar quarter. However, if a residual interest holder's percentage of ownership changed during the quarter, enter in item B(i) the percentage that existed immediately before the change. If there are multiple changes in the percentage of ownership during the quarter, attach a statement giving the date and percentage before each change.

Item C. REMIC assets.—Enter in Item C the percentage of the REMIC's assets during the calendar quarter represented by each of the following categories of assets:

- (1) Real estate assets under section 856(c)(5)(B); and
- (2) Assets described in section 7701(a)(19)(C)(relating to the definition of a domestic building and loan association).

These percentages must be computed using the average adjusted basis of the assets held during the calendar quarter. In computing the average adjusted basis of the assets held during each calendar quarter, the REMIC must make the appropriate computation as of the close of each month, week, or day and then average the monthly, weekly, or daily percentages for the quarter. The monthly, weekly, or daily computation period must be applied uniformly during the calendar quarter to both categories of assets, and may not be changed in succeeding calendar quarters without Department of Taxation consent. If the percentage of the REMIC's assets for either category is at least 95%, the REMIC may show "95 or more" for that category in item C.

Note: If less than 95% of the assets of the REMIC are real estate assets (as defined in section 856(c)(5)(B)), the REMIC must also report to any real estate investment trust that holds a residual interest the information specified in IRC Regulations section 1.860F-4(e)(1)(ii)(B).

Item F. Reconciliation of residual interest holder's capital account.—See the instructions for Schedule M of Form N-66.

Line 1a. Taxable income (net loss) of the REMIC for the calendar quarter.—Enter the REMIC's taxable income (or net loss) for the calendar quarter. The sum of the totals for the four quarters in the calendar year must equal the amounts shown on line 15, section I of Form N-66.

Line 1b. Your share of the taxable income (net loss) for the calendar quarter.—Enter the residual interest holder's share of the taxable income (or net loss) shown on line 1a (determined by adding such holder's daily portions under section 860C(a)(2) for each day in the quarter such holder held the residual interest). If line 1a is a loss, enter the residual interest holder's full share of the loss, without regard to the adjusted basis of the residual holder's interest in the REMIC.

Line 2a. Sum of the daily accruals under section 860E for all residual interests for the calendar quarter.—Enter the product of the sum of the adjusted issue prices of all residual interests at the beginning of the quarter and 120% of the long-term Federal rate (determined on the basis of compounding at the end of each quarter and properly adjusted for the length of such quarter). See section 860E(c) for details.

Line 2b. Sum of the daily accruals under section 860E with respect to your interest.—Enter zero if line 2a is zero. Otherwise, divide the amount shown on line 2a by the number of days in the quarter. Multiply the result by the residual interest holder's percentage of ownership for each day in the quarter that the residual interest holder owned the interest. Total the daily amounts and enter the result.

Line 3. Complete lines 3a and 3b only for residual interest holders who are individuals or other pass-through interest holders (as defined in IRC Temporary Regulations section 1.67-3T).

Line 3a. Section 212 expenses of the REMIC for the calendar quarter.—Enter the REMIC's allocable section 212 expenses for the calendar quarter. The term "allocable section 212 expenses" means the aggregate amount of the expenses paid or accrued in the calendar quarter for which a deduction is allowable under section 212 in determining the taxable income of the REMIC for the calendar quarter.

Section 212 expenses generally include operational expenses such as rent, salaries, legal and accounting fees, the cost of preparing and distributing reports and notices to interest holders, and litigation expenses.

Line 3b. Your share of section 212 expenses for the calendar quarter.—Enter the residual interest holder's share of the amount shown on line 3a.